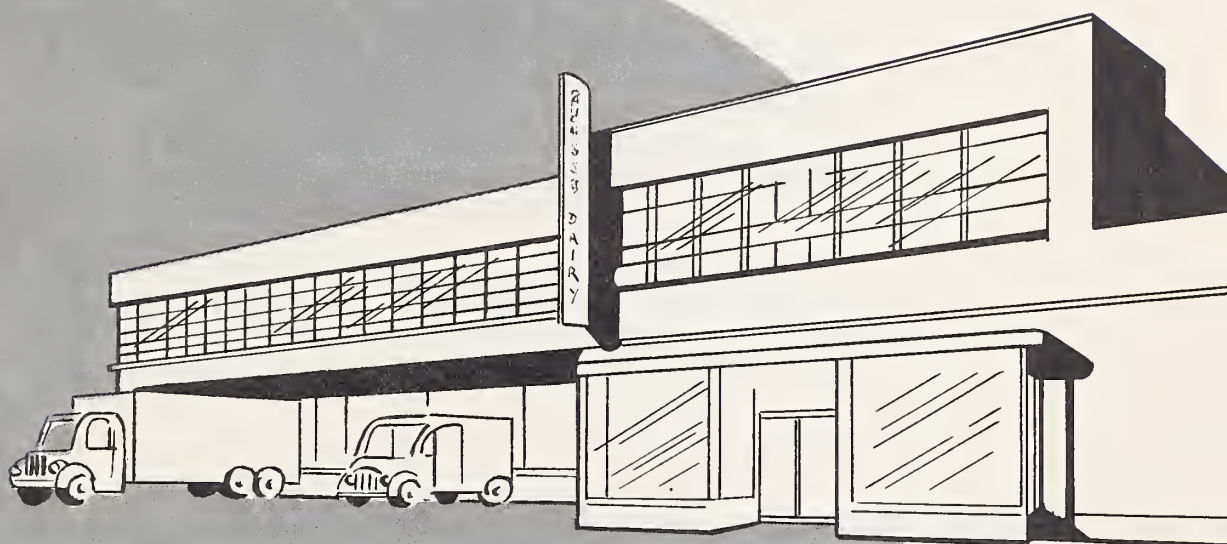


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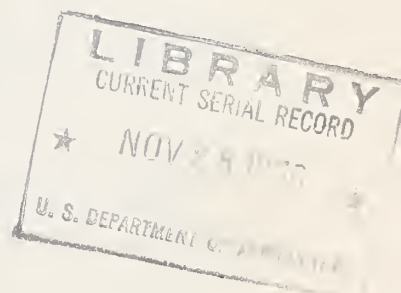
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Milk Distributors



Sales and Costs

April-June 1958



U. S. DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Marketing Research Division

MILK DISTRIBUTORS' SALES AND COSTS

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Marketing Research Division
Agricultural Marketing Service

:
: This report is the current issue of a series based upon :
: information obtained from distributors of fluid milk and :
: cream products. These distributors are subscribers to a :
: cost comparison service which furnished the Department :
: with tabular data for analyses. A uniform accounting :
: system is used and information is given on standardized :
: forms. Data reported include: Costs and quantities of :
: raw milk and other raw materials; prices and quantities :
: of products sold; and operating costs. :
:
: The firms selected are privately owned, and chiefly :
: single-plant firms. In these characteristics they are :
: considered to be typical. Very small firms, very large :
: firms, national chains, and producer-distributors are :
: not included. :
:

Milk distributors' sales value of dairy products--net receipts after returns, allowances, and discounts--was \$10.96 per 100 pounds of milk and cream processed in April-June 1958. The decline of \$0.05 per 100 pounds from the preceding quarter was somewhat less than seasonal. Sales value was up \$0.11 per hundredweight from a year ago. The quantity of milk handled was nearly the same as in the corresponding quarter of 1957.

The cost of raw materials purchased by milk distributors for processing and resale was \$5.78 per 100 pounds in April-June 1958--down \$0.26, about seasonally, from the previous quarter.

The gross margin of distributors, the difference between the value of sales of the dairy products and the cost of raw milk and cream and other materials, was \$5.18 per 100 pounds, an increase of \$0.21 from the previous quarter and \$0.03 higher than in April-June 1957.

Operating expenses, including labor and property taxes, were \$4.84 per 100 pounds of milk and cream handled, \$0.04 higher than in April-June 1957.

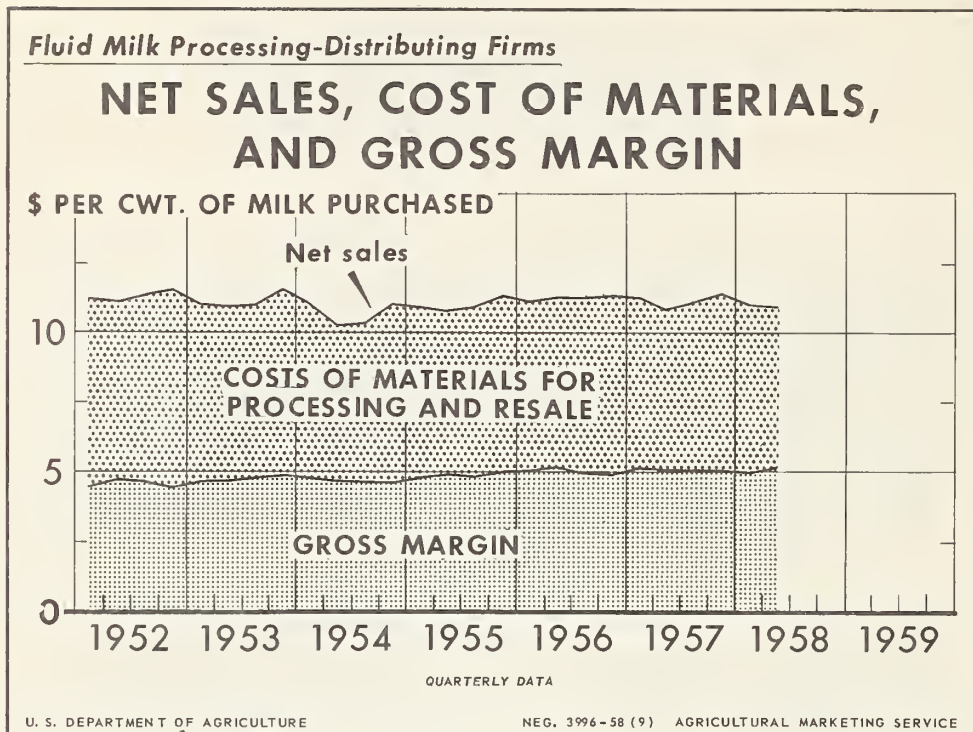


Figure 1

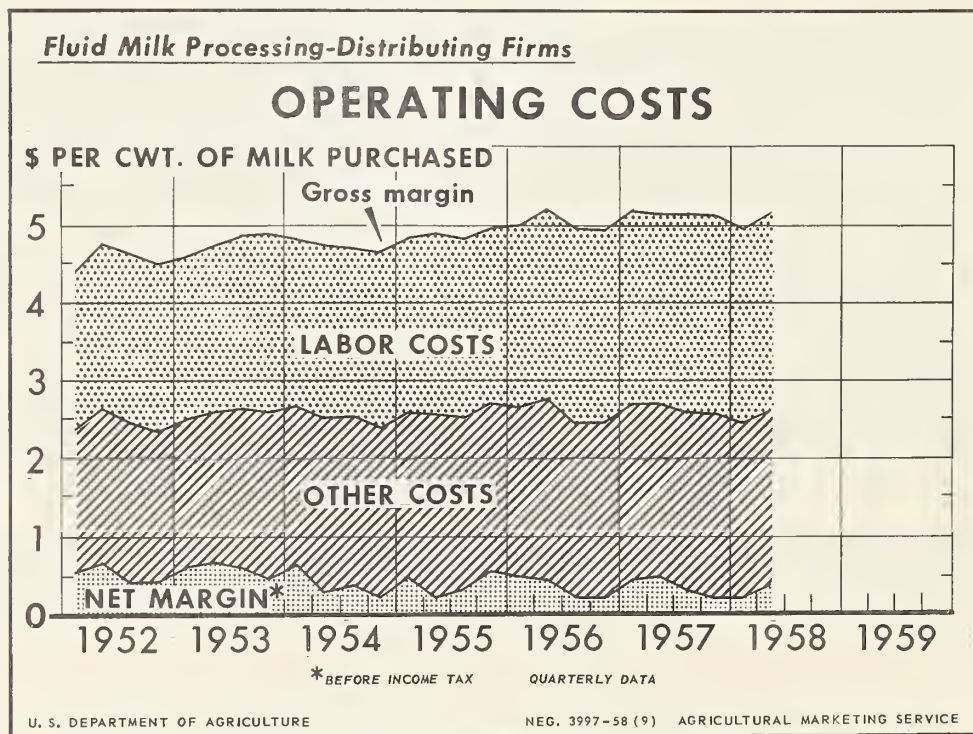


Figure 2

Net margin for April-June 1958 was \$0.34 per 100 pounds; \$0.10 higher than in the previous quarter but \$0.14 lower than in the same quarter of 1957.

SALES VALUE MAY INCREASE

Sales value of dairy products for April-June 1958 was only \$0.05 per 100 pounds lower than for the preceding quarter. In previous years the drop from the first quarter to the second quarter has averaged about \$0.21. The increase of \$0.11 per hundredweight from the same quarter a year earlier seems to indicate either an increase in selling prices or a lessening of seasonal variations in sales value. Sales value of milk and cream was down 2 to 3 percentage points from the first quarter while the sales value of ice cream and other products increased 3 to 4 percentage points--about the usual seasonal pattern.

RAW MATERIAL COSTS SHOW STABILITY

Raw material costs per 100 pounds of milk and cream processed were \$0.26 lower in April-June 1958 than in January-March 1958 but were \$0.08 higher than in the same period in 1957.

Payments for raw material other than milk increased \$0.09 from 1957. Raw milk and cream declined \$0.01. Cost of raw materials was 53 percent of sales value--unchanged from last year. The cost of milk and cream handled was 44 percent of sales value in April-June 1958, unchanged from the same period of 1957.

OPERATING EXPENSES MOVING UPWARD AGAIN

Operating costs of \$4.84 per 100 pounds of milk and cream processed, were \$0.11 higher than in the previous quarter and \$0.17 higher than in the same quarter of 1957. These costs were about 44 percent of total sales value, an increase of about 2 percentage points from April-June 1956 and 1 point for the same period in 1957. Personnel costs at \$2.56 per 100 pounds account for \$0.11 of the \$0.17 increase from last year. The cost for containers, facilities and taxes was also up from 1957. Other costs were unchanged. These are indications that operating costs, after remaining fairly constant for 8 quarters (except for seasonal variation) may be beginning another upward trend.

Net margin, the remainder for payment of income taxes and return on investment was \$0.34 per 100 pounds, a decrease of \$0.14 from a year earlier but an increase of \$0.10 from January-March 1958. The increase in operating costs of \$0.11 per 100 and decrease in sales value of \$0.05 per 100 was more than offset by the decrease of \$0.26 per 100 in cost of goods sold. Net margin was 3 percent of sales value. For the first two quarters of 1958, net margin as a percent of sales was down more than one third from 1957.

Table 1.--COSTS AND MARGINS FOR SELECTED DAIRY FIRMS: Per 100 pounds of milk and cream processed, for years 1952-57, and for the 5 most recent quarters

Account	1952		1953		1954		1955		1956		1957		1957		1958	
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Net sales.....	11.32	11.12	10.69	10.95	11.22	11.15	10.85	11.10	11.36	11.01	10.96					
Cost of raw materials:																
Raw milk and cream...	5.85	5.43	5.07	5.12	5.30	5.14	4.82	5.09	5.39	5.22	4.81					
Other.....	.86	.90	.86	.94	.88	.87	.88	.89	.86	.82	.97					
Total.....	6.71	6.33	5.94	6.05	6.18	6.01	5.70	5.98	6.25	6.04	5.78					
Gross margin.....	4.61	4.79	4.75	4.91	5.04	5.14	5.15	5.12	5.11	4.97	5.18					
Operating cost:																
Salaries, wages, and commissions 1/.....	2.15	2.19	2.21	2.28	2.43	2.50	2.45	2.53	2.53	2.51	2.56					
Containers.....	.60	.62	.65	.70	.72	.71	.68	.70	.72	.70	.70					
Operating supplies...	.30	.32	.35	.32	.28	.29	.29	.29	.30	.30	.29					
Repairs, rent, and depreciation.....	.50	.52	.57	.60	.64	.67	.66	.68	.68	.66	.67					
Taxes.....	.06	.06	.06	.06	.05	.06	.05	.06	.06	.06	.06					
Insurance.....	.02	.02	.03	.04	.04	.04	.04	.04	.04	.04	.05					
Services.....	.16	.19	.19	.18	.17	.17	.17	.20	.17	.15	.17					
Advertising.....	.15	.15	.16	.18	.19	.18	.19	.15	.19	.17	.19					
General.....	.15	.13	.13	.14	.16	.15	.14	.15	.18	.15	.15					
Total.....	4.09	4.20	4.35	4.50	4.68	4.77	4.67	4.80	4.87	4.73	4.84					
Net margin 2/.....	.52	.59	.40	.40	.36	.37	.48	.32	.24	.24	.34					
Firms reporting.....	43	51	75	83	80	80	80	80	80	80	80					

1/ Includes State unemployment, Federal old age, workmen's compensation, and employee benefits.
2/ Net returns to owners before income taxes.

GROWTH OF MILK DISTRIBUTORS

Milk distributor establishments have grown more than one third in average size since 1952. Volume of product processed in 1957 was 36 percent greater and value of sales was 33 percent greater than in 1952 (table 3). Growth is continuing: In the first quarter of 1958 the indices of volume of product and value of sales were 142 and 139 respectively (1952 base = 100).

Growth has not been uniform among different sized establishments or individual establishments (table 2). Medium sized establishments for example, grew more than twice as rapidly as large establishments.

Table 2.--RATE OF GROWTH FOR MILK DISTRIBUTORS: By size of establishment

Size of establishment ^{1/}	Average annual growth		Average growth of volume and sales since 1952
	Volume	Sales	
	Percent	Percent	Percent
Large.....	4.6	4.1	25
Medium.....	9.6	8.4	50 +
Small.....	6.3	7.0	36
All.....	6.3	5.9	36

^{1/} Large establishments are defined as those processing 24 million pounds of milk or more in 1955; medium from 12 to 23.9 pounds, and small less than 12.

Among individual establishments the variations in growth were very large, ranging from 1 that decreased in volume by 22 percent and in sales by 16 percent to 1 that increased in volume by 124 percent and in sales by 165 percent. As among size groups, large establishments had the smallest range--from 1 with practically no growth to 1 that increased more than 75 percent. Medium sized establishments ranged from 1 with practically no growth to 3 that more than doubled. For small establishments, while 1 actually decreased by about 20 percent, 2 others more than doubled.

For all establishments as a group, and for the large and medium sized ones, the percentage increase in volume of product was more than the percentage increase in value of sales. This is consistent with other data (table 1) which show that sales value of product, per 100 pounds of milk and cream processed, was lower in 1957 than in 1952.

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Table 3.--FLUID MILK DISTRIBUTORS: Indices of growth of firms as measured by volume of product handled and value of sales

(Annual indices based on year 1952 = 100; quarterly indices based on average quarter 1952 = 100)								
Period	All firms	Large firms	Medium firms	Small firms				
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
	of product	of sales	of product	of sales	of product	of sales	of product	of sales
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1952	100	100	100	100	100	100	100	100
Jan.-Mar.....	97	99	98	99	98	97	95	101
Apr.-June.....	101	98	102	99	98	96	99	97
July-Sept.....	100	98	99	97	100	99	103	101
Oct.-Dec.....	102	105	101	105	104	107	103	101
1953	109	105	108	100	112	111	110	109
Jan.-Mar.....	104	102	103	97	106	105	108	112
Apr.-June.....	114	103	117	99	110	108	114	110
July-Sept.....	109	102	105	95	116	112	111	111
Oct.-Dec.....	109	110	106	107	117	121	105	104
1954	114	106	112	100	123	117	106	105
Jan.-Mar.....	112	105	108	100	119	113	105	108
Apr.-June.....	115	100	116	96	116	107	105	100
July-Sept.....	113	103	108	95	127	116	109	106
Oct.-Dec.....	118	115	115	109	129	131	104	103
1955	122	115	118	108	133	128	113	114
Jan.-Mar.....	120	111	117	104	131	124	108	110
Apr.-June.....	120	110	120	105	126	120	111	111
July-Sept.....	120	113	114	105	134	125	115	117
Oct.-Dec.....	126	125	121	118	140	144	116	117
1956	131	125	123	116	150	140	129	130
Jan.-Mar.....	129	123	123	114	143	137	122	130
Apr.-June.....	137	123	127	115	153	135	142	131
July-Sept.....	125	120	115	110	146	137	121	126
Oct.-Dec.....	135	133	124	124	159	152	132	134
1957	136	133	125	122	158	150	136	140
Jan.-Mar.....	134	133	126	122	151	150	132	143
Apr.-June.....	137	130	124	119	157	144	150	142
July-Sept.....	132	129	122	117	157	147	129	137
Oct.-Dec.....	139	139	127	130	166	159	134	138
1958								
Jan.-Mar.....	142	139	134	128	157	155	137	148
Range in growth for individual firms, average quarter 1952: to Jan.-Mar., 1958								
Least.....	78	86	108	106	104	102	78	86
Most.....	224	265	189	177	224	265	218	208

SEASONAL VARIATIONS

Volume of product handled and value of sales of milk distributors both show definite seasonal patterns (fig. 3). Volume of product is largest in the second quarter while value of sales is largest in the fourth quarter. Both volume and sales are smallest during the summer--the third quarter, (table 4). Variation in volume of product between the largest and smallest quarter averages about 5 percent while the comparable variation in value of sales is about $7\frac{1}{2}$ percent.

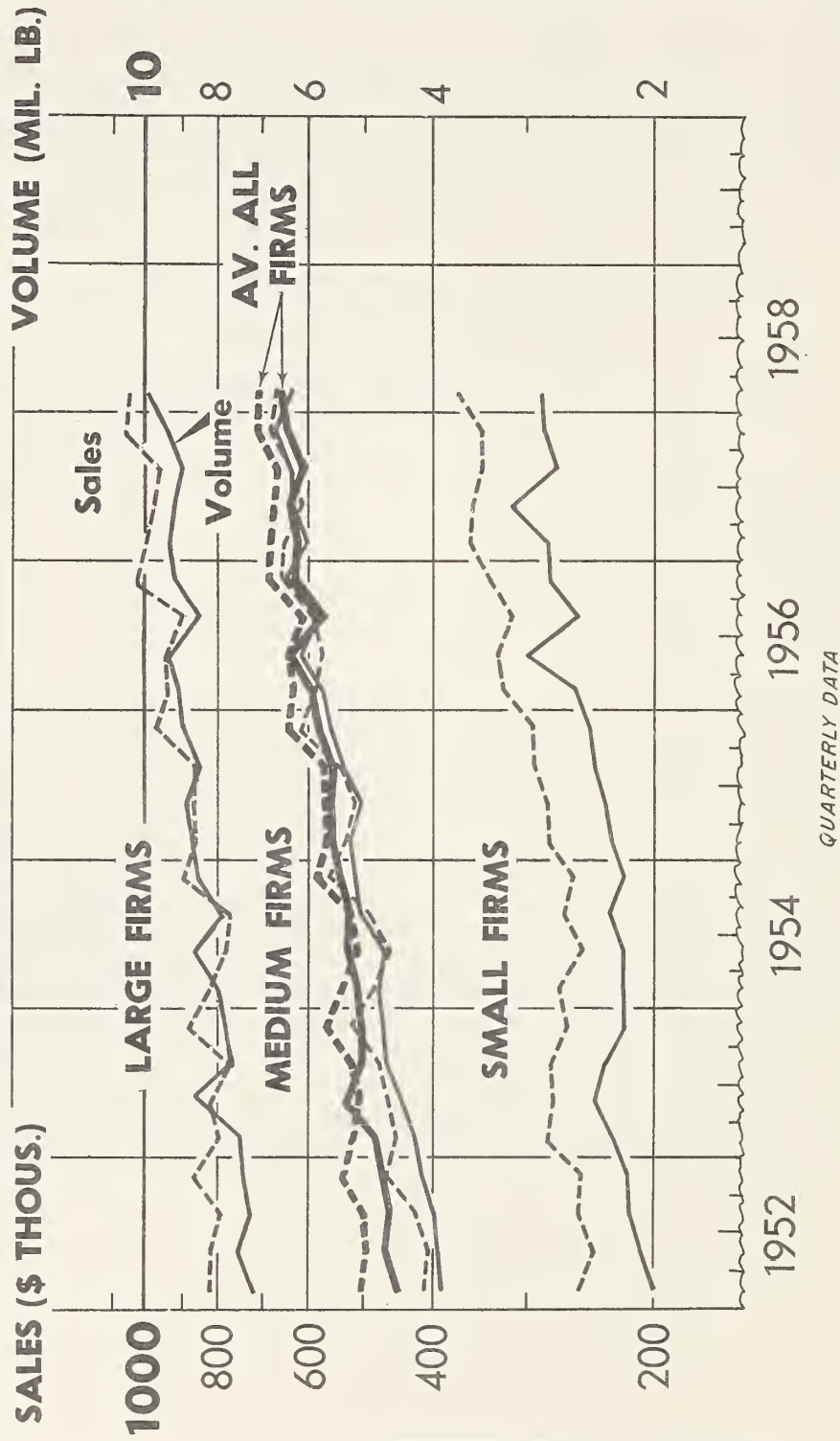
Table 4.--MILK DISTRIBUTORS: Indices of seasonal variations in volume of product and value of sales

Item	Size of establishment			
	All	Large	Medium	Small
Volume of product				
1st quarter.....	100.2	100.5	99.4	99.1
2nd quarter.....	102.0	103.7	98.9	103.4
3rd quarter.....	97.9	96.2	100.0	99.4
4th quarter.....	99.8	99.6	101.7	98.1
Value of sales				
1st quarter.....	100.7	100.3	100.2	102.8
2nd quarter.....	98.1	98.8	96.0	99.7
3rd quarter.....	96.8	95.3	97.5	99.9
4th quarter.....	104.4	105.6	106.3	97.6

The greatest percentage variation occur in the large establishments, both in product volume and sales value. Medium sized establishments have the least variation of product volume and small establishments have the least variation in sales value. Factors contributing to the variations may include: Products handled; relatively high or low percentages of fluid milk to total business; changes in costs of raw milk and selling prices of finished product are not proportionate to changes in volume. For example in 1952, 1954, and 1957, the increase in volume in the second quarter was more than offset by decreases in price and milk distributors received fewer dollars for larger volume of product.

For Fluid Milk Distributors

VOLUME OF PRODUCT HANDLED AND VALUE OF SALES



U.S. DEPARTMENT OF AGRICULTURE

NEG. 6429-58(8) AGRICULTURAL MARKETING SERVICE

Figure 3

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON 25, D. C.

Official Business

Penalty for Private Use to Avoid
Payment of Postage, \$300